

Italy – ICT Consulting

COVID further exacerbates harsh market conditions

26th October 2020

H1-20 RESULTS RELEASE

RIC: DBA.MI
BBG: DBA IM

Results were impacted by the COVID-19 pandemic. The EPM business unit was affected by the lockdown period as several activities in progress were stopped. The ICT business unit was affected by a decreasing demand for IT services. The current 2020-2023 business plan targets are no longer reachable: a new business plan will be presented by end-Oct.

Rating:

Buy

Price Target:

€ 1.50 (€ 1.80)

Upside/(Downside): 80.7%

Last Price: € 0.83

Market Cap.: € 8.9m

1Y High/Low: € 1.95/€ 0.73

Free Float: 49.6%

Major shareholders:

De Bettin family 40.6%



Stock price performance

	1M	3M	12M
Absolute	-18.2%	-22.8%	-53.1%
Rel.to AIM Italia	-15.1%	-16.1%	-35.7%
Rel.to peers	-21.9%	-32.8%	-69.9%

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Estimate revision, new PT of € 1.50 (€ 1.80)

The virus has definitely accelerated the digitalisation process and investment in network infrastructure, cybersecurity and IT. Conversely, investment in infrastructure associated with the provision of goods (roads and ports) experienced a marked slowdown. Market conditions remain tough, as highlighted by H1-20 figures, with price pressure affecting profitability. This, in addition to a still oversized structure compared to the current level of portfolio orders in terms of quality and quantity, is impacting numbers. We have cut our estimates by 5.5% and 13.4% on Value of Production and EBITDA in 2020-22, on average. We set a new PT for DBA Group at € 1.50/s (€ 1.80). The upside to the current price suggests only a long term Buy rating on the stock. DBA's track record remains unfavourable: weak interim results prompted DBA to revise its budget. In addition, COVID-19 has worsened the business outlook and further deteriorated the competitive situation.

Top line down 14.9% vs. H1-19 pro forma figures

Value of Production totalled € 29.8m, down by 14.9% YoY compared to H1-19 pro forma revenues equal to € 35.0m. EPM's revenues declined by € 3.5m YoY, down 18.9%, as a result of lower orders in several segments of the market due to the lockdown period in Italy: Oil & Alternative Fuels (down € 1.6m YoY), Telco & Media (down € 1.0m YoY) and Building (down € 0.4m YoY). The ICT business unit recorded a turnover reduction of € 1.8m YoY, of which € 0.1m related to the domestic market and the remainder to the Slovenian market.

EBITDA positive for € 0.2m, also thanks to the consolidation of Unistar

EBITDA was € 0.2m vs. negative EBITDA of € 0.2m, primarily due to Unistar's consolidation. The EBITDA of the EPM business unit was negative for € 0.4m (positive € 0.1m in H1-19). The ICT division's EBITDA was € 0.6m: € 0.8m stemming from the Slovenian SBU (vs. € 0.2m in H1-19) and a negative contribution of € 0.2m from the domestic SBU (vs. a negative one of € 0.6m in H1-19). The improvement in EBITDA was mainly attributable to operating cost reduction as a result of lower personnel expenses due to some voluntary departures and certain economies of scale in the purchase of goods. Net Profit was negative for € 2.1m, NFP was € 14.4m (debt), vs. € 14.7m at end-19. The reduction was mainly related to € 1.6m in advance payments (Open Fiber and Port Community System of Varna/Burgas).

A new amended version of the industrial plan to be presented by end-Oct

Interim results were seriously impacted by the COVID-19 pandemic. Several activities in progress were stopped and almost all clients operating in the Oil & Alternative Fuel and Transport & Logistic sectors decided to postpone their investments. As expected at the time of the FY-19 result approval, the company has announced that the financial targets included in the 2020-2023 business plan are no longer reachable. As a consequence, management will provide the market with an amended version of the business plan by the end of October.

DBA Group, key financials and ratios

€ m	2018	2019	2020e	2021e	2022e
Value of production	49.0	61.0	70.4	70.1	71.6
EBITDA	4.4	3.3	4.6	5.0	6.0
EBIT	1.6	(2.3)	(0.1)	0.5	1.6
EBIT adj.	2.3	(1.2)	1.0	1.7	2.8
Net profit	0.2	(2.7)	(0.8)	(0.2)	0.5
Net profit adj.	0.9	(1.6)	0.4	1.0	1.6
NFP (cash)/debt	9.0	14.0	17.0	15.3	12.9
EPS adjusted €	0.06	(0.11)	0.03	0.07	0.12
EPS adj. growth	-31.0%	n.m.	n.m.	139.7%	69.7%
DPS ord. €/s	0.00	0.00	0.00	0.00	0.00
EBITDA margin %	9.1%	5.4%	6.5%	7.2%	8.4%
EBIT margin %	3.4%	neg.	neg.	0.8%	2.3%
PER	46.5	neg.	23.9	10.0	5.9
EV/Sales	1.02	0.59	0.38	0.35	0.31
EV/EBITDA	11.2	10.8	5.8	5.0	3.7
EV/EBIT	21.6	neg.	26.1	14.8	8.1

Income statement (€ m)	2018	2019	2020e	2021e	2022e
Value of Production	49.0	61.0	70.4	70.1	71.6
Services	(18.1)	(24.9)	(30.0)	(29.2)	(29.4)
Lease, rental and other opex	(5.6)	(9.1)	(10.0)	(10.0)	(10.2)
Personnel expenses	(20.8)	(23.6)	(25.8)	(25.9)	(25.9)
EBITDA	4.4	3.3	4.6	5.0	6.0
D&A	(2.8)	(5.6)	(4.7)	(4.5)	(4.4)
EBIT	1.6	(2.3)	(0.1)	0.5	1.6
Financial costs	(0.3)	(0.3)	(0.5)	(0.5)	(0.4)
Extraordinary, other costs	0.0	0.0	0.0	0.0	0.0
Pre-Tax profit	1.4	(2.7)	(0.7)	0.0	1.2
Income taxes	(1.0)	(0.2)	0.1	(0.0)	(0.5)
Minorities	(0.2)	0.1	(0.2)	(0.2)	(0.2)
Net Profit	0.2	(2.7)	(0.8)	(0.2)	0.5
EBIT adj.	2.3	(1.2)	1.0	1.7	2.8
Net Profit adj.	0.9	(1.6)	0.4	1.0	1.6
Balance sheet (€ m)	2018	2019	2020e	2021e	2022e
Net Working Capital	20.1	19.9	24.3	24.6	24.9
Net Fixed Assets	18.4	20.8	19.4	17.5	15.6
Equity Investments	0.7	0.7	0.7	0.7	0.7
Other M/L Term A/L	(6.5)	(6.3)	(7.0)	(7.2)	(7.5)
Net Invested Capital	32.6	35.1	37.4	35.6	33.6
Net Financial Position	9.0	14.0	17.0	15.3	12.9
Minorities	0.0	0.3	0.5	0.7	0.9
Group's Shareholders Equity	23.6	20.8	19.9	19.5	19.7
Net Financial Position & Equity	32.6	35.1	37.4	35.6	33.6
Cash Flow statement (€ m)	2018	2019	2020e	2021e	2022e
Total net income	0.2	(2.7)	(0.8)	(0.2)	0.5
Depreciation	2.8	5.6	4.7	4.5	4.4
Other non-cash charges	2.7	(0.2)	0.8	0.2	0.3
Cash Flow from Oper. (CFO)	5.7	2.7	4.7	4.5	5.2
Change in NWC	(6.9)	0.1	(4.4)	(0.3)	(0.3)
FCF from Operations (FCFO)	(1.2)	2.8	0.3	4.2	4.9
Net Investments (CFI)	(9.5)	(8.1)	(3.3)	(2.6)	(2.5)
Free CF to the Firm (FCFF)	(10.7)	(5.3)	(3.0)	1.6	2.4
CF from financials (CFE)	3.7	3.1	8.0	0.0	(3.4)
Free Cash Flow to Equity (FCFE)	(7.0)	(2.2)	5.0	1.6	(1.0)
Financial ratios	2018	2019	2020e	2021e	2022e
EBITDA margin	9.1%	5.4%	6.5%	7.2%	8.4%
EBIT margin	3.4%	-3.8%	-0.2%	0.8%	2.3%
Net profit margin	0.4%	-4.5%	-1.1%	-0.3%	0.7%
Tax rate	71.8%	-6.6%	15.3%	43.0%	43.0%
Interest coverage x	0.16	(0.15)	(3.80)	0.98	0.27
Net Debt/EBITDA x	2.03	4.22	3.72	3.06	2.14
Debt-to-Equity x	0.38	0.67	0.85	0.79	0.66
ROIC	0.7%	-7.8%	-2.0%	-0.5%	1.4%
ROCE	3.9%	neg.	neg.	1.0%	3.4%
ROACE	4.1%	-5.5%	-0.3%	1.0%	3.4%
ROE	0.9%	-13.1%	-3.8%	-1.0%	2.4%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Per share figures	2018	2019	2020e	2021e	2022e
Number of issued ordinary shares # m	13.00	11.50	11.50	11.50	11.50
Number of shares Fully Diluted # m	15.22	13.40	13.40	13.40	13.40
Average Number of shares Fully Diluted # m	15.22	14.31	13.40	13.40	13.40
EPS reported €	0.02	(0.24)	(0.07)	(0.02)	0.04
EPS adjusted €	0.07	(0.14)	0.03	0.08	0.14
EPS reported FD €	0.01	(0.19)	(0.06)	(0.01)	0.04
EPS adjusted FD €	0.06	(0.11)	0.03	0.07	0.12
EBITDA €	0.29	0.23	0.34	0.37	0.45
EBIT €	0.11	(0.16)	(0.01)	0.04	0.12
BV €	1.55	1.58	1.52	1.51	1.54
FCFO €	(0.08)	0.20	0.02	0.31	0.37
FCFF €	(0.70)	(0.37)	(0.22)	0.12	0.18
FCFE €	(0.46)	(0.15)	0.37	0.12	(0.07)
Dividend €	0.00	0.00	0.00	0.00	0.00

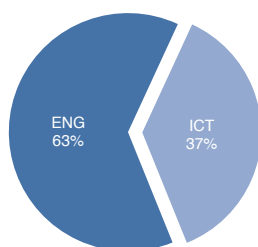


The company at a glance

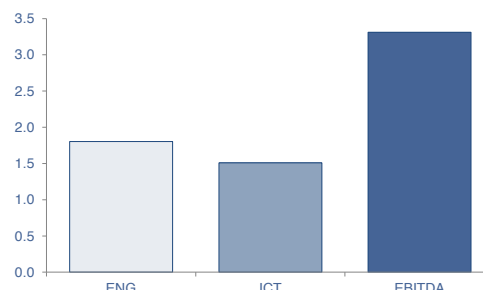
Founded in 1991 by the four De Bettin brothers in the north east of Italy, DBA Group is specialised in network connectivity and infrastructure lifecycle support solutions. The core competence of DBA Group is its proven ability to provide telematics solutions for strategic infrastructures to clients whose business is *network-performance critical*. It provides integrated services and solutions in the ICT, Project Management and Architecture and Engineering fields in six industries. Founded as an engineering and architecture associated firm, now DBA Group is the only player in Italy able to offer a synergic combination of the aforementioned services and solutions for the entire infrastructure lifecycle management. DBA Group offers high value-added services and software platforms which meet a full range of potential technical, technological and ICT customer needs during the entire infrastructure lifecycle with the aim of providing high added-value support services for infrastructure management and maintenance.

The group has grown significantly in the last few years: in the period 2011-19, top line more than tripled from € 18.8m to € 61.0m, 15.9% CAGR, also thanks to the acquisition of Actual IT in 2015 (minority buyout in Sep-18), SJS Engineering in October 2018 and Unistar in September 2019. In 2018, value of production reached € 61.0m, up 24.5% YoY, EBITDA totalled € 3.3m, 5.4% margin and net profit came in negative for € 2.7m. Net financial position was € 14.0m (debt).

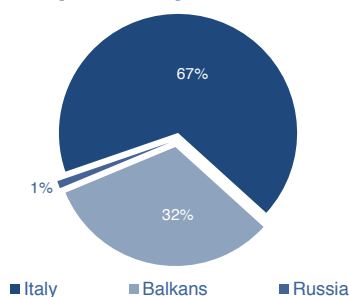
2019 top line and...



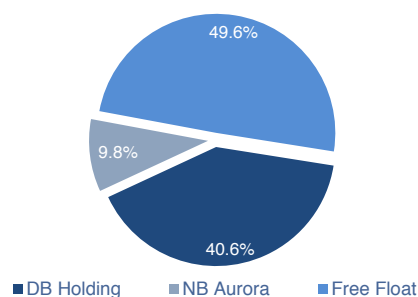
... and EBITDA breakdown by business unit



2019 top line by country



Shareholder structure



Peer group multiples table

EV multiples x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	EBIT FY1	EBIT FY2	EBIT FY3
AECOM	0.65	0.64	0.60	11.5	11.0	9.6	13.8	13.1	11.8
Alten SA	1.05	0.97	0.92	13.6	9.7	8.2	19.2	12.2	10.5
Arcadis NV	0.69	0.65	0.61	8.1	7.4	6.3	12.9	12.0	10.3
Jacobs Engineering Group Inc	1.03	1.00	0.97	13.3	12.3	10.8	14.6	13.5	12.1
SnC-Lavalin Group Inc	0.59	0.53	n.a.	12.2	5.7	n.a.	22.5	7.7	n.a.
Sweco AB (publ)	2.62	2.48	2.28	18.5	16.8	15.3	29.4	25.5	22.7
Engineering & PMO median	0.86	0.81	0.92	12.7	10.3	9.6	16.9	12.7	11.8
Accenture PLC	3.02	2.78	2.55	16.6	15.2	14.0	20.5	18.4	17.0
Capgemini SE	1.46	1.30	1.20	10.1	8.7	7.8	13.6	11.5	10.2
Devoteam SA	0.95	0.86	0.75	8.2	7.3	6.3	10.7	8.8	7.1
Reply SpA	2.74	2.42	2.17	17.7	15.3	13.5	22.1	18.8	16.3
TXT e solutions SpA	2.16	1.46	1.95	18.2	12.2	14.0	29.0	17.0	22.0
ICT software median	2.16	1.46	1.95	16.6	12.2	13.5	20.5	17.0	16.3
DBA Group SpA	0.38	0.35	0.31	5.8	5.0	3.7	26.1	14.8	8.1

Source: CFO Sim, Thomson Reuters Eikon



H1-20 Results

H1-20 results were seriously impacted by the COVID-19 pandemic. The EPM business unit was affected by the lockdown period: several activities in progress were stopped and almost every client operating in the Oil & Alternative Fuel and Transport & Logistic sectors decided to postpone investments. The ICT business unit was affected by a decreasing demand for IT services, mainly in Slovenia. Please note that 2020 interim results include Unistar (acquired in Sep-19) in the scope of consolidation.

Table 1 – DBA Group, H1-20 results summary

€ m	H1-20	H1-19	% YoY
Revenues	27.3	21.3	28.2
Other	2.6	5.0	
Value of Production	29.8	26.3	13.6
Raw material	(4.4)	(0.9)	
Services	(11.1)	(12.2)	
Lease & rental	(1.4)	(1.3)	
Other opex	(0.1)	(0.1)	
Personnel expenses	(12.6)	(11.9)	
EBITDA	0.2	(0.2)	192.3
% margin	0.7	(0.8)	
D&A	(2.1)	(1.6)	
EBIT	(1.9)	(1.8)	(4.9)
% margin	(6.4)	(6.9)	
Financial costs	(0.2)	(0.1)	
Pre-Tax profit	(2.1)	(1.9)	(9.7)
% margin	(7.1)	(7.4)	
Income taxes	0.0	0.3	
Tax rate	0.0%	14.8%	
Minorities	0.0	0.0	
Net Profit	(2.1)	(1.6)	(29.1)
% margin	(7.1)	(6.2)	
NFP (cash)/debt	14.4	10.7	34.4

Source: Company data, CFO SIM estimates

The table above shows DBA's reported H1-20 results. It has to be noted that Unistar, acquired in Sep-19, was consolidated as of Q4-19. Thus, in order to better understand the organic underlying trend, we are comparing H1-20 results and H1-19 pro-forma results, the latter being obtained as if the company had been consolidated as of 1-Jan.

Value of Production totalled € 29.8m, down by 14.9% YoY compared to H1-19 pro forma revenues equal to € 35.0m.

- **EPM's revenues declined by € 3.5m YoY**, down 18.9%, as a result of lower orders in several segments of the market due to the lockdown period in Italy: Oil & Alternative Fuels (down € 1.6m YoY), Telco & Media (down € 1.0m YoY) and Building (down € 0.4m YoY).
- **The ICT business unit recorded a turnover reduction of € 1.8m YoY**, of which € 0.1m related to the domestic market and the remainder to the Slovenian market.

The decrease in top-line figures was mitigated by a decline in operating costs, in particular: 1) a reduction in personnel costs of € 1.1m, sustained by the Salary Integration Fund; 2) a reduction in costs for services (e.g. consultancy) of € 2.4m following a contraction in volumes; 3) a combined effect of lower prices and volumes on purchases of assets of the ICT SLO division for € 1.2m and 4) a reduction in overhead costs (services, rents, etc.) of € 0.9m, of which € 0.4m representing the reduction in rental costs.

EBITDA was € 0.2m vs. a negative EBITDA of € 0.2m, primarily due to Unistar's consolidation.



- **The EPM business unit' s EBITDA was negative for € 0.4m**, vs. a positive EBITDA of € 0.1m in H1-19.
- **The ICT business unit' s EBITDA was € 0.6m**: € 0.8m stemming from the Slovenian SBU (vs. € 0.2m in H1-19) and a negative contribution of € 0.2m from the domestic SBU (vs. negative for € 0.6m in H1-19). The improvement in margins was mainly attributable to operating cost reduction stemming from lower personnel expenses due to some voluntary departures and certain economies of scale in the purchase of goods.

Net Profit was negative for € 2.1m, after D&A for € 2.1m and financial costs for € 0.2m. **Net Financial Position totalled € 14.4m (debt)**, vs. € 14.7m at end-19. The NFP reduction was mainly related to advance payments for € 1.6m (€ 1.0m related to Open Fiber and € 0.6m related to the Port Community System of Varna/Burgas).

The company has announced that the **financial targets included in 2020-2023 business plan are no longer reachable**. As a consequence, management will provide the market with an updated version of the business plan by the end of October.

Details by business unit:

Engineering and Project Management (52% of total) recorded a € 3.5m decrease in top line. This contraction was primarily driven by an order drop of € 1.6m in the Oil & Alternative Fuels sector , of € 1.0m in the Telco & Media sector , of € 0.4m in the Buildings sector and the remainder in the Transport & Logistics and Energy & Utilities sectors. This reduction was mainly due to a production stoppage concerning the Oil & Alternative Fuels and Transport & Logistic sectors, and the difficulty in completing some of the ongoing activities due to the traffic restriction imposed during the lockdown phase with the consequent lack of access to construction sites. **Some of the activities were resumed following the easing of measures to contain COVID-19**. However, customers are revising their future investments in the Oil & Alternative Fuels and Transport & Logistic sectors. Production costs decreased by € 2.4m YoY; in particular the costs for suppliers declined by € 1.4m and personnel costs by € 0.6m. The remaining cost-cutting measures concerned services (€ 0.2m) and rentals (€ 0.2m) thanks to a rationalization of the offices in Italy following the widespread application of smart working on all the operational staff in the EPM unit

Information and Communication Technology (47% of total) - The Italian division remained basically unchanged YoY. The € 0.1m decline in top line was mainly attributable to a lower increase in software development inventory than in the first half of 2019. In addition, the reduction in direct costs was relevant. In particular, the reduction in personnel costs as a result of voluntary departures totalled € 0.2m and that in costs relating to asset purchasing was € 0.2m. All of this allowed an improvement in EBITDA of € 0.4m compared to the same period of the previous year: a negative EBITDA for € 0.2million vs. € 0.6m negative in H1-19. The Slovenian division recorded a decrease in top line figures of € 1.7m mainly due to the negative effects of COVID-19. On the other hand, the reduction in operating costs was € 2.2m as a combined result of a decline in purchase volumes and a decrease in average purchase costs, thanks to the economies of scale stemming from the combination of Unistar and Actual IT following their acquisition.



Valuation & risks

DBA Group reported H1-20 results **seriously impacted by the COVID-19 pandemic**. Several activities in progress were stopped and almost all clients operating in the Oil & Alternative Fuel and Transport & Logistic sectors decided to postpone their investments. As expected at the time of the FY-19 result approval, the company has announced that the financial targets included in 2020-2023 business plan are no longer reachable. As a consequence, management will provide the market with **an amended version of the business plan by the end of October**.

The virus has definitely **accelerated the digitalisation process** and investment in network infrastructure, cybersecurity and IT. Conversely, investment in infrastructure associated with the provision of goods (**roads and ports**) **experienced a marked slowdown**. **Market conditions remain tough, as highlighted by H1-20 figures**, with price pressure affecting profitability. This, in addition to a still oversized structure compared to the current level of portfolio orders in terms of quality and quantity, is impacting numbers. We have revised our model, **leaving 2020 projections unchanged** with the exception of the NFP due to higher capex at the Balcan IT division on the back of the Infrastructure as a Service on Premises business model. 2021-22 numbers have been revised downwards, on the back of enduring pressure and forecast market volatility

The effects of the aforementioned considerations on our figures are once again a **5.5% and 13.4% slash in Value of Production and EBITDA in 2020-22**, on average. Moreover, we have updated the DCF valuation criteria, bringing the free-risk rate up-to-date.

Table 2 – DBA Group, 2020e new/old estimates

€ m	New	Old	% Diff.	€ m	Diff.
Value of Production	70.4	70.4	0.0	0.0	
EBITDA	4.6	4.6	0.0	0.0	
% margin	6.5	6.5			
EBIT	(0.1)	(0.1)	0.1	(0.0)	
% margin	(0.2)	(0.2)			
Net Profit	(0.8)	(0.8)	(3.5)	0.0	
% margin	(1.1)	(1.1)			
Y/E net debt (net cash)	17.0	13.0	30.3	3.9	

Source: CFO Sim

Table 3 – DBA Group, 2021e new/old estimates

€ m	New	Old	% Diff.	€ m	Diff.
Value of Production	70.1	74.7	(6.1)	(4.6)	
EBITDA	5.0	6.0	(16.6)	(1.0)	
% margin	7.2	8.0			
EBIT	0.5	1.5	(64.9)	(1.0)	
% margin	0.8	2.0			
Net Profit	(0.2)	0.1	n.m.	(0.3)	
% margin	(0.3)	0.2			
Y/E net debt (net cash)	15.3	11.5	33.1	3.8	

Source: CFO Sim

Table 4 – DBA Group, 2022e new/old estimates

€ m	New	Old	% Diff.	€ m	Diff.
Value of Production	71.6	79.8	(10.4)	(8.3)	
EBITDA	6.0	7.9	(23.5)	(1.9)	
% margin	8.4	9.9			
EBIT	1.6	3.5	(53.7)	(1.9)	
% margin	2.3	4.4			
Net Profit	0.5	1.5	(68.2)	(1.0)	
% margin	0.7	1.9			
Y/E net debt (net cash)	12.9	9.1	41.8	3.8	

Source: CFO Sim



We set a new PT for DBA Group at € 1.50/s (€ 1.80), 80.7% upside. The upside to the current price suggests only a long term **Buy rating** on the stock. **DBA's track record remains unfavourable: weak interim results prompted the company to revise its budget.** In addition, Covid-19 has worsened the business outlook and further deteriorated the competitive situation.

DCF

In the valuation via the DCF method, explicit estimates until 2024 and long-term growth of 1.0% were used. Cash flows were discounted back at a weighted average cost of capital calculated according to the following parameters:

Table 5 - WACC derived from:

Interest costs, pre-tax	1.5%
Tax rate	43.0%
Int. costs, after taxes	0.9%
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 200 days simple moving average)	1.33%
Beta levered (x)	1.00
Required ROE	10.3%

Source: CFO Sim, Thomson Reuters Eikon

Risk premium at 9.0% factors in the minute size of the company and basically the whole AIM Italia market segment's related concerns and disquiet that an investor might have. **Beta at 1.00** is a usual conservative value for a small cap.

Table 6 - DBA Group, DCF model

€ m	2020e	2021e	2022e	2023e	2024e	Term. Val.
EBIT	(0.1)	0.5	1.6	2.8	4.3	
Tax rate	43.0%	43.0%	43.0%	43.0%	43.0%	
Operating profit (NOPAT)	(0.1)	0.3	0.9	1.6	2.5	
Change working capital	(4.4)	(0.3)	(0.3)	(0.2)	(0.1)	
Depreciation	4.7	4.5	4.4	4.0	2.0	
Investments	(3.3)	(2.6)	(2.5)	(2.0)	(2.0)	
Free Cash Flows	(3.1)	1.9	2.5	3.4	2.4	37.5
Present value	(3.0)	1.8	2.2	2.7	1.8	27.8
WACC	7.5%	7.5%	7.5%	7.5%	7.5%	
Long-term growth rate	1.0%					

Source: CFO Sim

Table 7 – DBA Group, DCF derived from:

€ m	
Total EV present value € m	33.1
thereof terminal value	84%
NFP last reported	(14.0)
Pension provision last reported	(1.9)
Equity value € m	17.3
#m shares	11.50
Equity value €/s	1.50
% upside/(downside)	80.7%

Source: CFO Sim

The application of the model produces an **equity value of € 17.3m for DBA Group, corresponding to € 1.50/share, 80.7% upside.**



The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value per share of between € 1.24 and € 1.84 (perpetuity range of between 0.50% and 2.50%), while 2) if compared to changes in the free-risk rate it produces an equity value/s of € 1.27 – 1.78 (free-risk range of between 2.08% and 0.58%) and 3) if compared to changes in the risk premium, including small size premium, it results in an equity value/s of € 1.07 – 2.11 (risk premium range of between 9.0% and 5.0%).

Table 8 – DBA Group, equity value sensitivity to changes in terminal growth rate

€ m	0.25%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%
Present value of CF	5.4	5.4	5.4	5.4	5.4	5.4	5.4
PV of terminal value	24.7	25.6	26.7	27.8	28.9	30.2	31.6
Total value	30.1	31.0	32.0	33.1	34.3	35.6	37.0
NFP last reported	(14.0)	(14.0)	(14.0)	(14.0)	(14.0)	(14.0)	(14.0)
Pension provision last reported	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)
Equity value	14.2	15.2	16.2	17.3	18.5	19.8	21.1
Equity value/share €	1.24	1.32	1.41	1.50	1.61	1.72	1.84

Source: CFO Sim

Table 9 – DBA Group, equity value sensitivity to changes in free risk rate

€ m	0.58%	0.83%	1.08%	1.33%	1.58%	1.83%	2.08%
Present value of CF	5.5	5.5	5.4	5.4	5.3	5.3	5.3
PV of terminal value	30.8	29.7	28.7	27.8	26.8	26.0	25.2
Total value	36.3	35.2	34.1	33.1	32.2	31.3	30.4
NFP last reported	(14.0)	(14.0)	(14.0)	(14.0)	(14.0)	(14.0)	(14.0)
Pension provision last reported	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)
Equity value	20.5	19.3	18.3	17.3	16.3	15.4	14.6
Equity value/share €	1.78	1.68	1.59	1.50	1.42	1.34	1.27

Source: CFO Sim

Table 10 – DBA Group, equity value sensitivity to changes in risk premium

€ m	7.50%	8.00%	8.50%	9.00%	9.50%	10.00%	10.50%
Present value of CF	5.6	5.5	5.5	5.4	5.3	5.2	5.2
PV of terminal value	34.5	32.0	29.7	27.8	26.0	24.4	22.9
Total value	40.1	37.5	35.2	33.1	31.3	29.6	28.1
NFP last reported	(14.0)	(14.0)	(14.0)	(14.0)	(14.0)	(14.0)	(14.0)
Pension provision last reported	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)
Equity value	24.3	21.6	19.3	17.3	15.4	13.8	12.3
Equity value/share €	2.11	1.88	1.68	1.50	1.34	1.20	1.07

Source: CFO Sim



Market multiples

We conducted an analysis on a cluster of 12 companies operating in the ICT software, engineering and advisory arena, two of which are domestic. We divided the sample into two sub-groups: Engineering and ICT software.

Our engineering business unit peer sample comprises the following comparable firms:

AECOM (USA): it provides engineering, consulting, program and project management services for several sectors, including energy, environment, oil and gas, and transport.

Alten (France): it operates in the engineering and technology consulting industries and provides support for its clients' development strategies in the fields of innovation, R&D and IT systems.

Altran Technologies (France): it is a multinational consulting firm operating in different fields of engineering. It provides services to the aerospace, automotive, energy, rail, finance, healthcare and TLC industries.

Arcadis (The Netherlands): it is a multinational firm offering engineering, consulting, program and project management services for different markets, including water and energy resources, commercial development, contractors, renewable energy, finance, retail, industrial, and public transport services.

Jacob Engineering (USA): it is a corporation providing engineering services including technical and scientific advice, in addition to all engineering aspects, construction, start-up and maintenance of plants for various sectors including industry, defence, energy and infrastructure.

SNC Lavalin (Canada): it is a group providing design, consulting, engineering, software and project management services to the mining and metallurgy, oil and gas, environment and water, infrastructure and clean power sectors. In Apr-17 it acquired Atkins Plc for some \$ 2.7bn (11.5x EBITDA).

Sweco (Sweden): it offers consulting, engineering and architectural services to various sectors including environment and water, infrastructure, energy and industrial.

Our ICT software and consultant business unit peer sample comprises the following comparable groups:

Accenture (USA): it is a multinational company offering management and strategic consulting services, technology services and outsourcing solutions in a vast array of industries.

Capgemini (France): it is a company providing IT consulting, outsourcing and professional services including application lifecycle services, big data analytics, supply chain management in several sectors including aerospace and defence, automotive, finance, industrial production, oil and gas, and TLC.

Devoteam (France) it is a group offering IT consulting services, system integration, project management, cyber security and outsourcing solutions.

Reply (Italy): it is a group that supports its clients in the definition and development of business models enabled by new technological and communication paradigms (Big Data, Cloud Computing, Digital Communication, the Internet of Things, Mobile and Social Networking), to optimize and integrate processes, applications and devices.

TXT e solution (Italy). It is a software specialist, providing high value-added solutions for the aerospace, defence, high tech, finance, luxury, fashion, retail and consumer goods sectors.

Size and profitability vary a lot within the samples, as well as the expected growth rates. Engineering and PM comparables have EBITDA margins ranging from 4.9% to 14.2% and sales growth on offer to the tune of low single-digit. Sweco shows the highest profitability and Arcadis has higher sales growth than the peer median. The least virtuous is Snc-Lavalin Group with a 4.9% EBITDA margin.



ICT software comparable firms show slightly higher growth profiles than the EPM sample and higher profitability, ranging from 11.5% to 18.2%. Accenture shows the most lucrative P&L with an EBITDA margin of 18.2% but with small growth perspectives.

DBA Group's profitability is broadly in line with the Engineering and PMO peer median but it is lower than the ICT software firm median. However, DBA Group offers investors higher growth perspectives compared to both peer medians.

Table 11 - DBA Group, peer group summary table

€ m	Country	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR ₁₉₋₂₂	EBITDA CAGR ₁₉₋₂₂	EBIT CAGR ₁₉₋₂₂	EPS CAGR ₂₀₋₂₂	NFP/EBITDA FY1
AECOM	USA	6,273	10,996	618	5.6%	-14.0%	-4.8%	-0.6%	14.3%	1.4
Alten SA	France	2,724	2,412	185	7.7%	0.1%	-2.8%	-4.0%	30.1%	(1.1)
Arcadis NV	Dutch	1,774	3,395	289	8.5%	11.0%	1.3%	1.9%	9.1%	2.0
Jacobs Engineering Inc	USA	10,893	11,478	889	7.7%	1.0%	9.4%	12.8%	9.7%	1.0
SnC-Lavalin Group Inc	Canada	2,495	5,256	255	4.9%	-8.7%	8.2%	65.6%	n.a.	2.4
Sweco AB (publ)	Sweden	5,386	2,098	297	14.2%	5.8%	8.5%	10.8%	14.1%	0.4
Engineering & PM		4,055	4,326	293	7.7%	0.5%	4.7%	6.3%	14.1%	1.2
Accenture PLC	USA	127,621	39,848	7,269	18.2%	7.4%	11.5%	8.1%	8.3%	(1.0)
Capgemini SE	France	17,863	15,795	2,286	14.5%	7.9%	14.8%	10.7%	14.3%	2.3
Devoteam SA	France	810	761	88	11.5%	3.7%	1.9%	5.4%	23.7%	(1.0)
Reply SpA	Italy	3,590	1,246	192	15.4%	7.8%	7.6%	8.4%	12.8%	(1.0)
TXT e solutions SpA	Italy	102	66	8	11.9%	10.2%	1.8%	-3.1%	23.1%	5.3
ICT software median		3,590	1,246	192	14.5%	7.8%	7.6%	8.1%	14.3%	(1.0)
DBA Group	Italy	10	70	5	6.5%	5.4%	22.2%	n.s.	101.7%	3.7

Source: CFO Sim, Thomson Reuters Eikon

Table 12 - DBA Group, peer group EV multiple table

x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
AECOM	0.65	0.64	0.60	11.5	11.0	9.6
Alten SA	1.05	0.97	0.92	13.6	9.7	8.2
Arcadis NV	0.69	0.65	0.61	8.1	7.4	6.3
Jacobs Engineering Group Inc	1.03	1.00	0.97	13.3	12.3	10.8
SnC-Lavalin Group Inc	0.59	0.53	n.a.	12.2	5.7	n.a.
Sweco AB (publ)	2.62	2.48	2.28	18.5	16.8	15.3
Engineering & PM median	0.86	0.81	0.92	12.7	10.3	9.6
Accenture PLC	3.02	2.78	2.55	16.6	15.2	14.0
Capgemini SE	1.46	1.30	1.20	10.1	8.7	7.8
Devoteam SA	0.95	0.86	0.75	8.2	7.3	6.3
Reply SpA	2.74	2.42	2.17	17.7	15.3	13.5
TXT e solutions SpA	2.16	1.46	1.95	18.2	12.2	14.0
ICT software median	2.16	1.46	1.95	16.6	12.2	13.5
DBA Group SpA	0.38	0.35	0.31	5.8	5.0	3.7

Table 13 - DBA Group, peer group EV & price multiple table

x	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
AECOM	13.8	13.1	11.8	21.7	20.2	16.6
Alten SA	19.2	12.2	10.5	27.7	19.2	16.3
Arcadis NV	12.9	12.0	10.3	15.4	14.7	13.0
Jacobs Engineering Group Inc	14.6	13.5	12.1	18.6	17.4	15.4
SnC-Lavalin Group Inc	22.5	7.7	n.a.	35.6	10.6	n.a.
Sweco AB (publ)	29.4	25.5	22.7	38.9	32.9	29.9
Engineering & PM median	16.9	12.7	11.8	24.7	18.3	16.3
Accenture PLC	20.5	18.4	17.0	29.1	26.8	24.8
Capgemini SE	13.6	11.5	10.2	16.5	14.2	12.6
Devoteam SA	10.7	8.8	7.1	22.5	18.0	14.7
Reply SpA	22.1	18.8	16.3	33.1	29.1	26.0
TXT e solutions SpA	29.0	17.0	22.0	30.8	22.8	20.3
ICT software median	20.5	17.0	16.3	29.1	22.8	20.3
DBA Group SpA	26.1	14.8	8.1	23.9	10.0	5.9

Source: CFO Sim, Thomson Reuters Eikon



Peer stock performance

DBA Group went public on 13-Dec-17 on AIM Italia with market capitalisation of € 52.0m and a free float of 44.0%, 56.8% after warrant conversion and the Price Adjustment Shares cancellation. Adopting the same approach used in setting up the peer sample for assessing the value of DBA Group, we defined a panel of 12 firms, 7 of which mainly operating in the EPM sector and the remainder in the ICT software sector.

Table 14 - DBA Group, peer group absolute performance

	1D	1W	1M	3M	6M	YTD	1Y
AECOM	0.5	(0.1)	17.7	26.8	36.6	7.5	14.3
Alten SA	2.9	(3.7)	2.7	18.3	23.6	(28.5)	(15.3)
Altran Technologies SA	0.8	(0.3)	11.6	18.4	40.6	(5.2)	7.1
Jacobs Engineering Group Inc	0.7	(0.1)	9.7	18.2	24.0	10.4	6.3
Snecma Group Inc	0.5	1.2	4.6	(9.7)	(2.9)	(26.2)	11.7
Sweco AB (publ)	(3.7)	(3.6)	(8.2)	(10.4)	39.7	27.7	59.3
Engineering & PM median	0.6	(0.2)	7.2	18.3	30.3	1.1	9.4
Accenture PLC	0.7	(0.2)	7.0	3.7	30.9	9.1	24.2
Capgemini SE	1.4	(3.1)	(4.2)	1.7	35.6	(2.8)	(1.1)
Devoteam SA	0.0	(0.1)	0.2	0.1	48.8	3.3	24.6
Reply SpA	0.1	(5.1)	(0.5)	29.0	50.0	38.7	64.3
TXTe solutions SpA	(0.9)	(0.5)	6.1	(0.5)	(3.1)	(18.7)	(10.0)
ICT software median	0.1	(0.5)	0.2	1.7	35.6	3.3	24.2
DBA Group SpA	9.2	9.2	(18.2)	(22.8)	(21.7)	(54.4)	(53.1)

Source: Thomson Reuters Eikon

Risks

The principal investment risks associated with DBA Group include:

- Risks linked to the postponement of some key projects and ICT malfunctions;
- Risks due to competition in the reference markets, which might put margins or top line developments under pressure in the short term.
- Impact on P&L account and balance sheet profiles triggered by a sharp decline in local and global economic growth;
- Dilution on profitability stemming from the acquisition campaign;
- The departure of one or a few of the key relevant people.



ANALYST CERTIFICATION

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DATE	TARGET PRICE	RATING
26/10/2020	€1.50	BUY
22/06/2020	€1.80	BUY
31/10/2019	€2.60	BUY

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